

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 1474 – SB 2210**

April 3, 2018

**SUMMARY OF ORIGINAL BILL:** Authorizes Marble Gate Farm in Blount County to sell alcoholic beverages for on-premises consumption.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Revenue - \$300/One-Time/ABC Fund  
\$2,000/Recurring/ABC Fund  
\$8,500/Recurring/General Fund

Increase Local Revenue - \$7,800/Recurring/Permissive

**SUMMARY OF AMENDMENTS (014090, 014267):** Amendment 014090 adds language to the original bill which: authorizes a 12-room, five cottage bed and breakfast establishment in Sevier County to sell alcoholic beverages for on-premises consumption; designates a commercial facility in Hawkins County a premier type tourist facility for the purpose of selling alcoholic beverages for on-premises consumption; designates a commercial facility in Claiborne County a premier type tourist facility for the purpose of selling alcoholic beverages for on-premises consumption.

Amendment 014267 designates an additional commercial facility in Claiborne County a premier type tourist facility for the purpose of selling alcoholic beverages for on-premises consumption.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

Increase State Revenue - \$1,500/One-Time/ABC Fund  
\$10,000/Recurring/ABC Fund  
\$42,700/Recurring/General Fund

Increase Local Revenue - \$38,400/Recurring/Permissive

**HB 1474 – SB 2210**

Assumptions for the bill as amended:

*Marble Gate Farm*

- The bill as amended applies to Marble Gate Farm in Blount County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Blount County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY18-19.
- Based on the interquartile average of 2017 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 ( $\$120,000 \times 50\%$ ) per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to be \$7,802  $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

*Bed and Breakfast*

- The bill as amended applies to one bread and breakfast establishment in Sevier County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.

- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Sevier County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY18-19.
- Based on the interquartile average of 2017 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 ( $\$120,000 \times 50\%$ ) per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to be \$7,802  $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

#### *Commercial Facility – Hawkins County*

- The bill as amended applies to one commercial facility in Hawkins County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Hawkins County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY18-19.
- Based on the interquartile average of 2017 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.

- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 ( $\$120,000 \times 50\%$ ) per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 [ $(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)$ ].
- The recurring increase in local revenue is estimated to be \$7,802 [ $\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)$ ].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

#### *Commercial Facilities – Claiborne County*

- The bill as amended applies to two commercial facilities in Claiborne County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Claiborne County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY18-19.
- Based on the interquartile average of 2017 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of these particular venues, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 ( $\$120,000 \times 50\%$ ) per year, per each facility.
- The recurring increase in state revenue to the General Fund is estimated to be \$17,096  $\{2 \times [(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]\}$ .

- The recurring increase in local revenue is estimated to be \$15,004 { 2 x [\$1,500 + (\$60,000 x 2.25%) + (\$60,000 x 7.0% x 3.617%) + (\$60,000 x 15.0% x 50.0%)] }.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

*Total Fiscal Impacts*

- The total recurring increase in state revenue to the General Fund of \$42,740 (\$8,548 + \$8,548 + \$8,548 + \$17,096).
- The total one-time increase in state revenue to the ABC is \$1,500 (\$300 x 5 establishments) and the total recurring increase in state revenue to the ABC is \$10,000 (\$2,000 x 5 establishments).
- The total recurring increase in local revenue is \$38,410 (\$7,802 + \$7,802 + \$7,802 + \$15,004).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

*Krista M. Lee RNC*

Krista M. Lee, Executive Director

/jdb